



The United States Extractive Industries
Transparency Initiative

Mainstreaming

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Deloitte.

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Mainstreaming Overview

EITI Board's Requirements for Mainstreaming

The objective of mainstreaming is to recognize countries that make transparency integral to revenue collection, accounting and disbursement.

The EITI Principles and Standards support mainstreaming of reporting structures.

EITI Principle 9 discusses integrated transparency.

“We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.”

Requirement 6 of the 2016 Standard emphasizes automatic disclosures.

The standards encourage MSGs to “where legally and technically feasible, consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis.”

EITI outlines seven phases to achieve mainstreaming status. The two fundamental questions to address are:

- 1 Is there routine disclosure of the EITI data required by the EITI Standard in requisite detail?**
- 2 Is the financial data subject to credible, independent audit, applying international standards?**

Next Steps for Mainstreaming in the U.S.

Process for Mainstreaming Approval

The EITI Board outlined seven steps to achieving and continuing approval of mainstreaming.




Source: EITI International Secretariat. Board Paper. Annex A – Draft Agreed Upon Procedure for Mainstreaming Disclosures
https://eiti.org/files/board_paper_30-4-a_annex_a_draft_agreed_upon_procedure_for_mainstreamed_disclosures.pdf

 = current point in the process

Feasibility Study Activities

The feasibility phase of mainstreaming consists of four main activities, one of which the IA completed as part of its existing work for TO2. The remaining activities will be completed by the IA in TO3.

Complete	Major Activities of Feasibility
	Examine existing materials to understand progress including all past EITI reports and documentation to understand the state of reporting in that country.
<i>IA to complete in 2017</i>	Consult stakeholders , including government, industry leaders and civil society, on their views and concerns related to embedding disclosures in government and corporate systems.
<i>IA to complete in 2017</i>	Produce a feasibility study that documents stakeholder perceptions, assesses publicly available information and makes recommendations on full EITI integration.
<i>IA to complete in 2017</i>	Propose a plan of action for embedding EITI disclosures into existing reporting structures.

The U.S. Case for Mainstreaming

Current Processes and Procedures Related to Mainstreaming

A number of existing processes bolster the case that existing U.S. data is **comprehensive, up-to-date, and reliable** as required by the EITI Board.

EITI Data Requirement	Case Summary	Strength	Weaknesses
Up-to-date	Strong case	<ul style="list-style-type: none"> Where the government and industry currently report, it is on an annual basis as EITI requires 	N/A
Comprehensive	Reasonable for non-tax payments, but weaknesses regarding tax data and the level of detail reported	<ul style="list-style-type: none"> ONRR's unilateral disclosure of payments received covers all in-scope, non-tax payments received by the government Company payments, where currently reported voluntarily or in conjunction with European laws, are comprehensive in their breadth 	<ul style="list-style-type: none"> Only 4 in-scope companies in 2016 currently report information voluntarily, and voluntary reporting is varied in the detail of its reporting The number of companies participating in USEITI dropped from 31 to 25 in 2016 Tax information is not included in the unilateral disclosure. Only 12 companies reported taxes in 2016, of which 7 reconciled ONRR cannot disclose at the project level
Reliable	Strong case based on U.S. audit and assurance practices and controls	<ul style="list-style-type: none"> All variances from both 2015 and 2016 reconciliation have been explained. Companies and the government are subject to extensive laws and regulations that guide the process for receiving payments, including controls such as those outlined in the Sarbanes-Oxley Act or OMB Circulars; standards such as GAAP or the Yellow Book; and data validation & audits on transaction- (ONRR) and system-level (IRS, third party) 	<ul style="list-style-type: none"> There is minimal track record of reconciliation for taxes Company's voluntarily-reported payments to government are generally not audited

The current U.S. case for mainstreaming rests primarily on ONRR's universal data disclosure and a strong set of U.S. audit and assurance practices and controls.

Improving the U.S. Mainstreaming Application

USEITI can focus on three key areas to strengthen its case for mainstreaming:

- **1. Government's unilateral disclosure**
 - Unilateral disclosure of government data is comprehensive and complete for all in-scope, non-tax revenue streams that are included in the USEITI report
- **2. Dodd-Frank 1504**
 - All public companies will be required to report tax and project-level data under Dodd-Frank 1504
 - For the 2016 report, this equates to 33 of the 41 in-scope companies that would be required to report to a regulatory body
- **3. The 2015 USEITI Report's audit and assurances addition/visualization**
 - The inclusion of a separate section on the U.S.'s audit and assurance processes provides further detail on the comprehensive nature of controls in the U.S. and on data quality and assurance

Mainstreaming in the U.S. will be on a multi-year timeline due in large part to the implementation requirements and roll-out of Dodd-Frank 1504